

Message Text

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ACTION ARA-14

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FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 4062

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E.O. 11652: N/A

TAGS: EFIN, ALOW,AR

SUBJECT: BUENOS AIRES COST OF LIVING IN DECEMBER

1. THE CONSUMER PRICE INDEX (CPI) ROSE 7.3 PERCENT IN DECEMBER, BRINGING THE TOTAL INCREASE DURING FULL-YEAR 1977 TO 160.4 PERCENT INASMUCH AS THE DEVALUATION OF THE PESO IN RELATION TO THE DOLLAR WAS 119 PERCENT DURING THE SAME PERIOD, THE DETERIORATION OF THE PURCHASING POWER OF THE DOLLAR IN ARGENTINA WAS ABOUT 16 PERCENT IN 1977 -- ABOUT 9 PERCENT MORE THAN THE DETERIORATION OF THE PURCHASING POWER OF THE DOLLAR IN THE U.S. ITSELF.

2. THE BREAKDOWN OF THE DECEMBER CPI INCREASE WAS AS FOLLOWS: TRANSPORTATION AND COMMUNICATIONS -- 16.5 PERCENT; RECREATION AND EDUCATION -- 13.4 PERCENT; MEDICAL CARE -- 9.8 PERCENT; HOUSING, FUEL, AND ELECTRICITY -- 8.6 PERCENT; HOUSEHOLD APPLIANCES AND OPERATIONS -- 8.4 PERCENT; FOOD AND BEVERAGES -- 5.0 PERCENT; CLOTHING -- 4.9 PERCENT; AND MISCELLANEOUS -- 5.5 PERCENT.

3. THE WHOLESALE PRICE INDEX (WPI) INCREASED 4.2 PERCENT IN DECEMBER, WITH THE FULL-YEAR 1977 RISE REACHING 147.1 PERCENT.

4. COMMENT: THE INFLATION RATE FOR DECEMBER WAS MUCH LOWER THAN EXPECTED -- AN INDICATION THAT THE DECELERATION IN MONETARY EXPANSION AND ACCOMPANYING ECONOMIC SLUGGISHNESS HAS HAD A MODERATING IMPACT ON PRICE INCREASES. IN JANUARY, WHICH IS
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NORMALLY A MONTH WITH LOWER RATE OF INFLATION THAN DECEMBER, THE RATE OF INCREASE IN THE CPI MAY TURN UPWARDS AS A RESULT OF: THE SHARP INCREASES IN THE PRICES OF FUEL, TRANSPORTATION, AND PUBLIC UTILITIES WHICH WENT INTO EFFECT AT YEAR-END 1977; THE JUMP IN RENTS SUBJECT TO CONTROLS; AND SUBSTANTIAL INCREASES OF GOVERNMENT WAGES (REPORTEDLY AVERAGING 30 PERCENT) AND OF THE MINIMUM CONTRACT WAGES IN THE PRIVATE SECTOR.

CASTRO

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